# 1948 Annual Report

# International Shoe Company

## CHANGE IN DATE OF ANNUAL MEETING OF STOCKHOLDERS

*The date of the annual meeting of stockholders has been changed from the fourth Monday in January to the fourth Monday in February each year. This change was made to permit additional time, when needed, for the preparation of the Annual Report to Stockholders.*

# *1948 Annual Report*

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 1948

## *International Shoe Company*

1509 WASHINGTON AVENUE
ST. LOUIS 3, MISSOURI

## PRINCIPAL OFFICERS

| | |
|---|---|
| FRANK C. RAND | *Chairman of the Board* |
| BYRON A. GRAY | *President* |
| ANDREW W. JOHNSON | *Vice-President and Treasurer* |
| OLIVER F. PETERS | *Vice-President* |
| DICKSON S. STAUFFER | *Vice-President* |
| ARTHUR B. FLETCHER | *Vice-President* |
| EDGAR E. RAND | *Vice-President* |
| HENRY H. RAND | *Vice-President* |
| ROBERT O. MONNIG | *Vice-President and Comptroller* |
| CARL E. BRUECKMANN | *Secretary* |
| WILLIAM N. SITTON | *Assistant Treasurer* |

## DIRECTORS

ROBERT E. BLAKE
SAMUEL BOWN
CARL E. BRUECKMANN
CLARENCE H. FIELDER
ARTHUR B. FLETCHER
BYRON A. GRAY
CLEMENCE L. HEIN
EDWARD J. HOPKINS
FRED HUME
PAUL B. JAMISON
ANDREW W. JOHNSON
J. LEE JOHNSON
ROBERT O. MONNIG
OLIVER F. PETERS
JAMES T. PETTUS
EDGAR E. RAND
FRANK C. RAND
HENRY H. RAND
WILLIAM N. SITTON
DICKSON S. STAUFFER

## TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.
Mississippi Valley Trust Company, St. Louis, Mo.

## REGISTRARS

Guaranty Trust Company, New York, N. Y.
St. Louis Union Trust Company, St. Louis, Mo.

# *The Results for 1948*

**Financial highlights for the fiscal year ended November 30, 1948, with comparisons to 1947 and 1946.**

| | 1948 | 1947 | 1946 |
|---|---|---|---|
| We produced shoes which were sold to others in the amount of | $219,804,880 | $212,918,192 | $135,031,487 |
| We produced leather and other materials for use by us in the manufacture of shoes | 89,869,570 | 91,439,492 | 67,427,505 |
| Total value of product | 309,674,450 | 304,357,684 | 202,458,992 |
| Net Profit (After Adjustments) | 13,820,197 | 14,002,017 | 5,448,781 |
| % of Sales | 6.3% | 6.6% | 4.0% |
| % of Total Value of Product | 4.5% | 4.6% | 2.7% |
| Earnings per share | $4.06 | $4.11 | $1.62 |
| Dividends | 3.00 | 2.25 | 1.80 |

*Detailed financial statements are presented beginning on Page 23 of this report.*

# Annual Message

**FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT**

## *to our Stockholders:*

1948 was another good year.

The high dollar sales of 1947, as well as unit production of shoes in pairs, were exceeded in 1948. Earnings per share were approximately the same as in 1947 and covered a higher annual dividend comfortably. Our increased production compares favorably with the shoe industry as a whole in 1948.

Some 3000 new customers placed substantial orders with us during the last half of the year, when, for the first time since before the war, we were able to offer shoes outside of the circle of regular customers who had been taking all of our production.

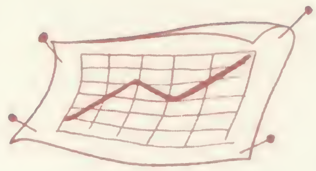
Many of our established outlets bought additional quantities and new lines from us.

Shifts in demand by types of shoes and distribution were met successfully by adjustments of our manufacturing facilities. Any necessary curtailment of production was for only short periods in comparatively few of our 58 shoe factories.

Definite progress was made in expanding our warehousing, orderfilling, and shipping facilities, and we open 1949 equipped to render better service to our many customers.

Industry-wide, 1948 was marked by sharp competition in a strong buyers' market. News stories told of "high prices," "consumer resistance" and "slow retail activity." Nevertheless, the industry's total production of shoes for the year, around 460,000,000 pairs, is in line with quantities needed and used in the past. This gives assurance that shoes of good quality, fairly priced, will continue to enjoy steady demand.

## NET SALES



The dollar value of the shoes shipped to our customers in 1948 exceeded any past year.

| | | |
|---|---|---|
| 1948 | $219,804,880 | |
| 1947 | 212,918,192 | (Previous high) |
| 1938 | 80,828,631 | (10 years ago) |
| 1928 | 122,694,532 | (20 years ago) |
| 1918 | 50,810,947 | (30 years ago) |
| 1912 | 20,990,643 | (First year) |

## NET PROFIT

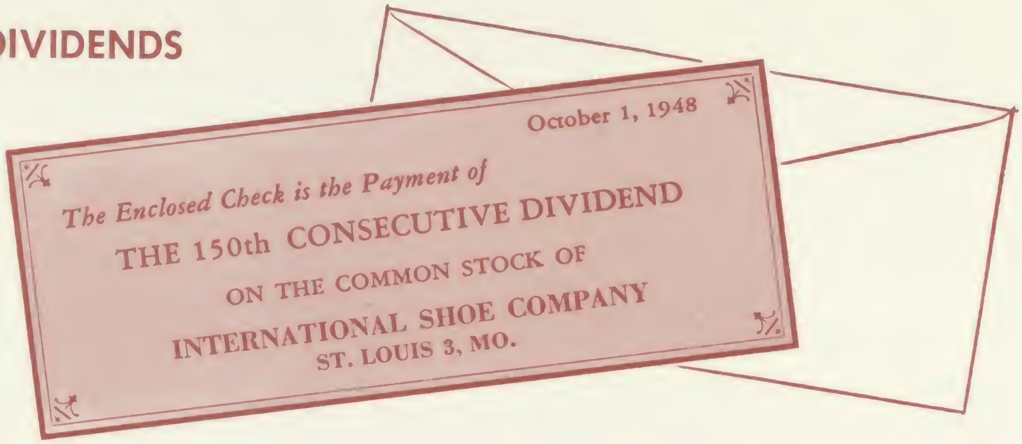
Net profit was approximately 6.3% of net sales and 4.5% of total value of product.

Attractive prices and favorable terms that give competitive strength to our retailers and ourselves, coupled with reasonable profits, are Company policy.

Here is a comparison of dollar profit, federal income taxes and net profit in 1948 with earlier years.

| | Profit Before Federal Income Taxes | Federal Income Taxes | Net Profit |
|---|---|---|---|
| 1948 | $22,008,601 | $8,188,404 | $13,820,197 |
| 1947 | 22,593,780 | 8,591,763 | 14,002,017 |
| 1938 | 4,890,762 | 622,476 | 4,268,286 |
| 1928 | 17,973,205 | 2,211,429 | 15,761,776 |
| 1918 | 4,397,880 | 1,585,000 | 2,812,880 |
| 1912 | 1,955,130 | 19,308 | 1,935,822 |

## DIVIDENDS




Dividends totaling $3.00 per share were paid in 1948, compared with $2.25 in 1947.

On October 1, our Company paid the 150th consecutive dividend on its common stock.

Dividend payments on the common stock of our Company have now extended over 36 years without interruption.

## PRODUCTION

The production of our shoe factories totaled 54,601,610 pairs for the year. This is more than 11% of all of the shoes produced in the United States.

These shoes were the only product manufactured by our Company for sale to others. Except for inconsequential amounts, the entire $219,804,880 in net sales shown for 1948 was shoes only.

If we had produced *only* these shoes, and had purchased all of the materials and supplies used in their production, our sales to customers would have been the same amount, $219,804,880.

In addition, however, our Company engaged in other production on a large scale.

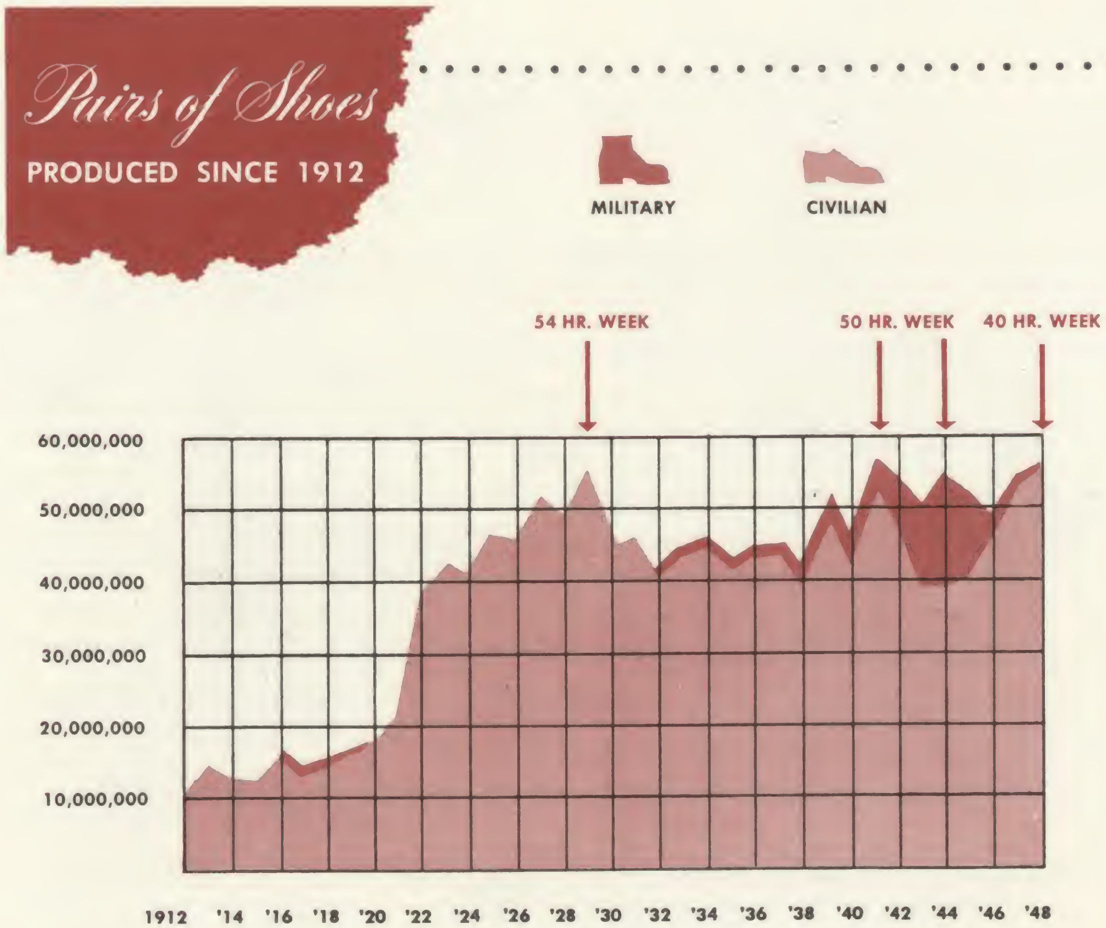
Nine tanneries—placing the Company among the largest tanners in the United States—a large rubber plant, a cotton mill, a welt manufacturing unit and numerous other supply plants making additional articles used in shoes, add greatly to the extent and magnitude of our total production.

All of the leather, rubber heels and soles, cloth, welting, bows, box toes, burnishing wax, cartons, cement, chemicals, patterns and other materials and supplies which are produced in these plants, are used in the manufacture of the Company's own shoes. For this reason, the production of them does not have the effect of adding to the amount of the Company's sales to others. Instead, this production goes right back into other production. When leather is produced at one of our tanneries, for example, it is transferred to one of our shoe factories where it is cut into parts of shoes, taking the place of leather which otherwise would have come from another tanner.

Thus, net sales of shoes does not accurately measure the extent and magnitude of the Company's operations.

Value of product does this better.

As shown previously, value of product for 1948 was $309,674,450.



# *Production Summary*

Our Company's principal production is shoes; and shoes are the only thing we produce for sale to others. In 1948 we produced:

| | | | |
|---|---|---|---|
| **Shoes,** for Men and Boys | Pairs—18,545,942 | | *Of this type of production our Company sold $219,804,880* |
| for Women and Girls | Pairs—16,029,005 | | |
| for Children | Pairs—19,202,296 | | |
| House Slippers | Pairs— 824,367 | | |
| | Total—54,601,610 | | |

However, our Company carries on a vast amount of other production of things used in the manufacture of shoes. Of these we produced:

**Materials for Shoe Uppers**

| | | |
|---|---|---|
| Leather for Uppers (including Linings) from Cattle Hides and Lambskins (Calfskins and Goatskins tanned under contract not included) | Feet—60,062,286 | *This type of production had an aggregate value of $24,824,461* |
| Cloth for Linings from Cotton | Yards— 6,488,008 | |

**Materials for Shoe Bottoms**

| | | |
|---|---|---|
| Soles, of Leather (some shoes take several soles) | Pairs—98,360,502 | *This type of production had an aggregate value of $56,487,208* |
| Soles, of Rubber | Pairs—12,558,160 | |
| Counters, of Leather | Pairs—30,512,396 | |
| Heels, of Leather (some shoes take leather and rubber heels) | Pairs—22,249,059 | |
| Heels, of Rubber | Pairs—32,983,819 | |
| Leather, for soles from Cattle Hides | Pounds—28,169,147 | |
| Welting, Leather | Yards—19,637,321 | |

**Other Materials and Supplies used in Shoes and for Fastening, Making and Packaging Shoes**

| | | |
|---|---|---|
| Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns, and others | Not itemized | *This type of production had an aggregate value of $8,557,901* |

*Total Value of Product—Shoes, Materials and Supplies*....... *$309,674,450*

# *Working Capital*

| | November 30 1948 | November 30 1947 | Increase *(Decrease)* |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Government Securities | $ 4,657,442 | $12,827,488 | *$(8,170,046)* |
| Accounts Receivable | 33,763,344 | 27,105,524 | 6,657,820 |
| Inventories | 51,596,178 | 43,337,312 | 8,258,866 |
| Prepaid Expenses | 695,759 | 525,594 | 170,165 |
| Total (Assets) | $90,712,723 | $83,795,918 | $ 6,916,805 |
| **Current Liabilities** | | | |
| Notes Payable | $ 5,000,000 | $ – | $ 5,000,000 |
| Accounts Payable and Accrued Expenses | 10,427,607 | 9,589,314 | 838,293 |
| Reserve for Federal taxes on Income | 8,850,000 | 8,950,000 | *(100,000)* |
| Other | 1,040,044 | 1,219,551 | *(179,507)* |
| Total (Liabilities) | $25,317,651 | $19,758,865 | $ 5,558,786 |
| Net Working Capital | $65,395,072 | $64,037,053 | $ 1,358,019 |

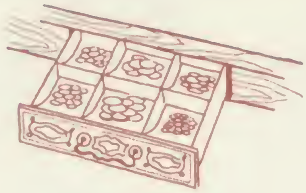
The increase of $1,358,019 in net working capital came from the reinvestment of current earnings.

Accounts Receivable, in relation to sales volume, returned to a level which approaches the Company's prewar experience.

Resumption of seasonal swings in the shoe business, very noticeable in 1948, necessitated somewhat larger inventories for maintenance and improvement of service to our customers.

The increase in receivables and inventories required some short-term borrowing, as indicated by the $5,000,000 of notes payable. Peak borrowing occurred during a period of about 60 days because of a return to "fall dating" in the last half of 1948.

## CASH POSITION



The short-term borrowing of money by the Company in the last half of 1948 was the first borrowing which the Company has done in about 25 years. The reasons are easily understood. The annual dollar volume of our business is now running more than 2½ times the average volume of the years 1936 to 1939, commonly accepted as a representative pre-war period. Naturally, it requires much more working capital to do an annual volume of 220 million than it does for a volume of 80 or 90 million.

Some of this high volume is due to the price level. Current raw material prices are roughly double those of the earlier period. Wage rates are also approximately double.

In addition to the high price level, our Company is now producing and shipping about one-fourth more units annually. The level of production in the 1936-1939 period was about 44 million pairs, as compared with the present level of close to 55 million pairs.

Under these conditions, it is easy to understand that less of our working capital can be liquid in the form of cash. A part of it will come from short-term borrowing.

If present conditions hold, it appears that Company borrowing will continue to be of a seasonal, short-term nature. If prices do not rise, our cash position will improve gradually from amounts earned in excess of those paid out for dividends and from any reduction in net amount invested in physical property.

Approximately $3,000,000 in cash will come eventually from the payment by the Government of Section 22 (d) (6) refunds which appear on our Balance Sheet. More than 80% of these refunds have been validated. They are not under any question by the Internal Revenue Department. The time of payment by the Government, however, depends upon a dilatory program which appears to be the considered policy of the Internal Revenue Department.

The Company's present cash position means that its working capital is fully employed in the business—a more desirable situation than one of carrying excess amounts of idle cash.

## FALL AND SPRING DATING


In connection with the selling of fall production, the Company announced a return to dating on season orders. Under this arrangement, the customer is billed as of August 1 on all shipments of $600 or more made in June and July, and similarly with respect to corresponding months in the spring season.

This dating plan for billing has proved advantageous in obtaining season commitments from customers and permitting earlier shipment of shoes by the Company. In turn, our customers have the advantage of having the shoes in their stock for sale during a fairly long period before payment date.

## SEASONAL FLUCTUATIONS

The seasonal character of the shoe business, so well recognized before the war, definitely reappeared in 1948.

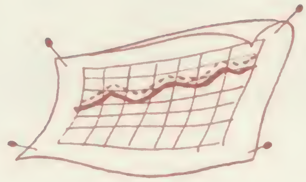
Our Company's planning contemplates the use of a variable finished-shoe inventory to cushion the effect on factory production levels of these ups and downs in customer shipments. Under this plan, many of our factories can maintain uniform production levels, in and out of season. So far as possible, this same plan is applied even in factories making style shoes which are highly seasonal in character.

Uninterrupted production and steady employment are of deep concern to us, not only for economic reasons but also for the welfare of our employees.

Further means of leveling the rate of shipments to customers are found in our terms of "dating" which make it attractive for merchants to accept shipments earlier than they would otherwise.

Attractive discounts are offered for placing larger season orders early, and this provides additional assistance in planning production by items of stock number and size.

## COSTS—PRICES



At the opening of our 1948 fiscal year, the Company's shoe prices were based on raw material prices considerably below the high level of prices of hides and leather at that time.

Hides then were approximately 35¢ per pound for representative types. They declined slowly, but it was some months before the raw material market was in alignment with our shoe prices.

On March 22, the Company, in accordance with its desire and policy to sell its product at the lowest price warranted by the market, reduced shoe prices approximately 5%. These lower prices were immediately applied to all unfilled orders—approximately $1,000,000 below prices at which the orders had been taken.

A subsequent increase in wage rates and in the cost of raw materials required the restoration of part of this reduction, effective on fall orders.

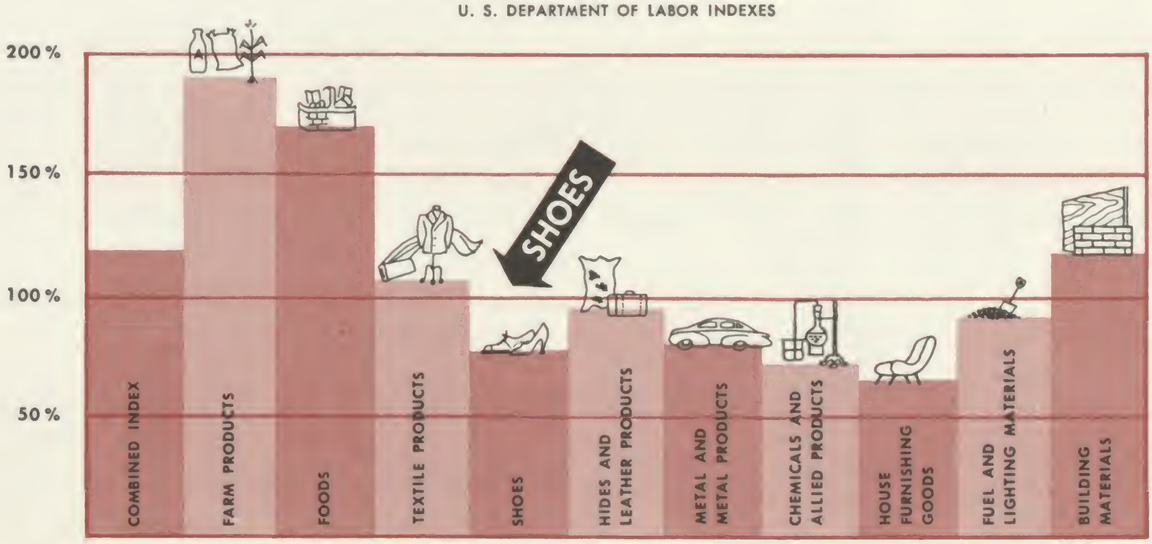
Shoe prices were adjusted slightly upward and downward throughout the fall, while the hide market fluctuated in a range roughly outlined by 25¢ and 30¢ (when allowance is made for seasonal variations in quality).

Newspaper articles on the subject of shoe prices lead the reader to believe that this product has been priced unreasonably high. This is simply not true. The facts of the case are presented in the chart below.

### INCREASES IN WHOLESALE COMMODITY PRICES

**for the period August 1940 to August 1948**

U. S. DEPARTMENT OF LABOR INDEXES



## WAREHOUSING, ORDERFILLING AND SHIPPING

Definite steps were taken in 1948 to improve that highly important part of the Company's operations which includes:

the warehousing of finished shoes,
the filling of customers' orders,
the packing of the orders,
the preparation for shipment and
the transfer to truck, railroad,
express company, or parcel post

for movement to the thousands of customers in all parts of the United States and some foreign countries.

Most of these activities have been carried on in a ten-story modern warehouse building located at 15th Street and Delmar Boulevard in St. Louis, called the Delmar Warehouse. This building is equipped with modern conveyors, elevators, slides, chutes, trucks and other devices to facilitate the efficient handling, in and out, of millions of pairs of shoes each year.

Merely to name a large number in millions is to understate the complexity of the job accomplished in this part of our business. These millions of pairs consist of a tremendous variety of shoes ranging from men's high-cut boots through all types of dress, work and play shoes for men, women and children down to tiny infants' soft sole shoes. There are about 5,000 stock numbers handled in our Delmar Warehouse. Each one of these stock numbers is different from every other one in some respect. One cannot be used for another. And each stock number, in turn, is carried in from 20 to 90 individual sizes and widths. When we talk about just one stock number, a plain black men's oxford, for example, we are talking about 50 items of stock to be brought in from the factories and handled through warehousing, orderfilling and shipping operations.

In many industries, mere physical bulk in terms of millions of units can be handled expeditiously with sparing use of warehouse area and a minimum number of workers. But, when millions of units are spread over thousands of different items, as in the shoe business, it requires space adequate to arrange the stock so that any one item is readily accessible and can be quickly obtained by an orderfiller. It also takes many hands—intelligently directed by the skill, knowledge and experience of competent workers—to select the correct individ-

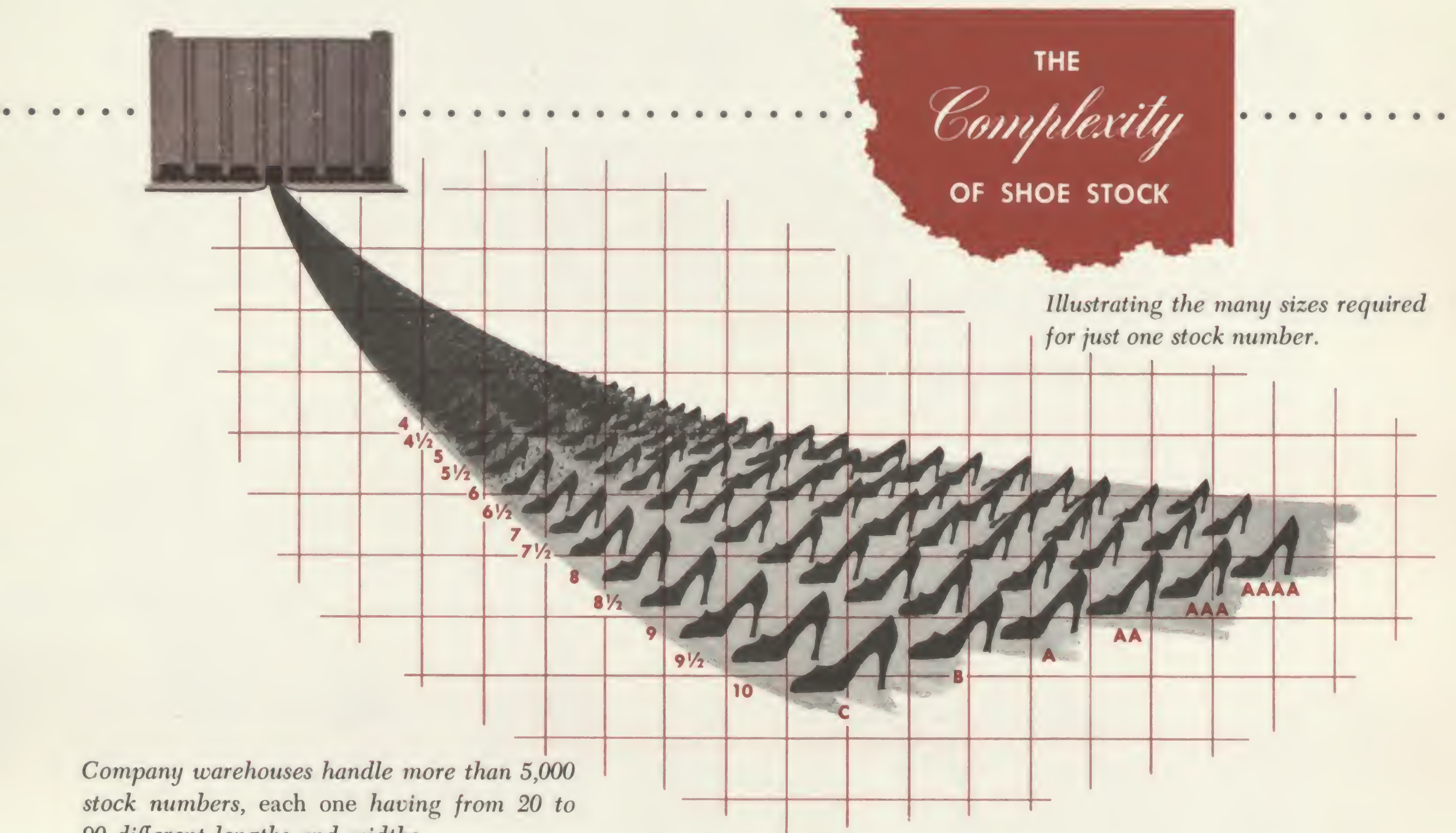
ual pairs from this great variety of stock items and apply them to our customers' orders.

This is the part of our business which has increasingly felt the strain of our expanding volume over the past several years—and, in 1948, reached a point where it was necessary for warehouse personnel to work overtime as much as 12 hours weekly during the last four months of the year.

As mentioned before, definite steps were taken in 1948 to relieve the situation, and to provide additional facilities which will enable this part of our operation to keep pace with our growing production.

These steps led to the purchase of the Central Terminal Building in St. Louis.

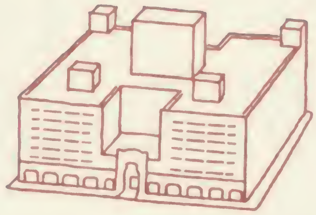
By the end of 1948, we were occupying three floors of this building, and its much needed space will greatly improve our ability to serve our customers.




*Illustrating the many sizes required for just one stock number.*

*Company warehouses handle more than 5,000 stock numbers,* each one *having from 20 to 90 different lengths and widths.*

## CENTRAL TERMINAL BUILDING



About July 1, 1948, our Company acquired the Central Terminal Building, 710 North 12th Boulevard, St. Louis, Missouri.

This building is a seven-story brick and stone structure with basement and sub-basement—a total floor area of 700,000 square feet. It was completed and opened on September 1, 1932, and was regarded at that time as one of the most modern terminal and warehouse buildings in the country.

It is served by the Illinois Terminal Railway Company which occupies the sub-basement, much of the first floor and a portion of the sixth floor.

The building was purchased by the Twelfth-Delmar Realty Company, a wholly owned subsidiary of the International Shoe Company, formed for the purpose of acquiring and operating this building. The purchase price of the property was $3,350,000. Cost to reproduce the property today has been estimated at approximately double this amount.

You will find financial data of the Twelfth-Delmar Realty Company on page 28 of this Report. An examination of this, together with the Balance Sheet of the International Shoe Company, makes the financial arrangements altogether clear.

The International Shoe Company owns all of the common stock of the Twelfth-Delmar Realty Company, now issued in the amount of $250,000, and the realty company has borrowed $3,100,000 as a mortgage loan on the building.

The Twelfth-Delmar Realty Company operates the building as an independent real estate operation with the Illinois Terminal Railway Company and International Shoe Company as the two principal tenants. Certain street front space is rented out, and it is planned to continue the renting of this and of the sixth and seventh floors as store, office and warehouse space.

Twelfth-Delmar Realty Company became a going, profitable business from the first day on which it entered actively into business. The investment by our Company in its capital stock should prove quite profitable—a favorable incidental result obtained along with the main purpose of acquiring desirable floor area for our operations.

*In this aerial view of a portion of downtown St. Louis, the Company's Delmar Warehouse (left) and office headquarters building (right) are in the foreground, with the Central Terminal Building three blocks due east.*

## TAXES

The corporation tax rate for 1948 remained at 38%.

The Company's claims under Section 722, the excess profits tax relief measure, are still pending.

A new peacetime excess profits tax now looms as a possibility. Should it occur, it will undoubtedly be much less severe than the wartime measure.

## PLANT FACILITIES

Three new shoe factories and two new sole cutting plants were completed and placed in operation during 1948, in addition to an upper leather tannery. The upper leather tannery at Bolivar, Tenn., began operations early in the year and has now reached a level approximating full production.

One more shoe factory and one more sole cutting plant were added to the Company's building program, which now brings the total of new plants in the program to 21. This additional shoe factory is virtually completed and operations will begin early in 1949, while the new sole cutting plant will be completed later in the year. With the construction of these two new plants, the Company will have completed its new plant program which was started some three years ago.

Much effort in 1948 was devoted to developing competent personnel to man the new plants. It is gratifying to report that all of these new plants are well on their way to efficient and economical production levels, while maintaining high quality standards at all times.

**Housing**—Carrying out its plan of purchasing or constructing homes for the superintendents, foremen and supervisory personnel in new locations where homes were not available, the Company has increased the number of its homes to a total of 104, representing a cost of approximately $825,000.

*Our new upper leather tannery at Bolivar, Tenn.*

## The Company's principal plant facilities now include:

### MANUFACTURING PLANTS

| | | |
|---|---|---|
| Shoe Factories | 58 | Manufacturing Men's, Women's and Juvenile shoes. |
| Sole Cutting Plants | 9 | Producing leather outsoles, insoles, midsoles, counters and heels. |
| Heel Plant | 1 | Building leather heels. |
| Rubber Plant | 1 | Manufacturing rubber soles and heels. |
| Cotton Textile Mill | 1 | Producing cloth for shoe linings. |
| Welt Manufacturing Plant | 1 | Producing leather welting. |
| Chemical Plants | 2 | Producing finishes, waxes, polishes and cements. |
| Box Plants | 2 | Producing cartons and containers. |
| Wood Heel Covering Plants | 2 | Covering and finishing wood heels. |
| Last Remodeling Plant | 1 | Last remodeling. |
| Findings Plant | 1 | Producing stripping, piping, bows, box toes and other shoe findings. |

### TANNERIES

| | | |
|---|---|---|
| Upper Leather Tanneries | 5 | Tanning shoe upper leather. |
| Sole Leather Tanneries | 4 | Tanning shoe sole leather. |

### SUPPLY PLANTS

| | | |
|---|---|---|
| Upper Leather Supply Plants | 2 | Warehousing, grading and distributing upper leather to shoe factories. |
| Central Supply Plants | 2 | Distribution center for shoe findings, materials and supplies. |
| Central Machine Shops | 2 | Repairing and building machinery and equipment. |

### WAREHOUSING

| | | |
|---|---|---|
| Finished Shoes | 4 | Warehousing, orderfilling and shipping of finished shoes. |

## OUR EMPLOYEES

At the close of 1948, 37,000 men and women were employed by the Company, an increase of one thousand during the year. During 1948, they worked at the highest wage rates and had the highest earnings of any period in Company history.

This fall, contracts were again made with principal employee groups under which wage rates were settled for a period of approximately a year. These contracts continue the plan under which wage rates are automatically adjusted upward and downward as the Consumers Price Index, of the Department of Labor, moves upward and downward. Limits beyond which the automatic changes do not operate were raised 3¢ at the top and 6¢ at the bottom, from the limits in the previous contract.

Under the previous contract, the automatic increases were limited to a maximum of 12¢ per hour. The Cost of Living Index for July, 1948, reached the point which made the full 12¢ per hour of increase effective in October, 1948.

One additional paid holiday was granted, increasing the total to 6 when celebrated on work days.

Benefits inaugurated in the past continued, including sickness, accident and health plans sponsored by the Company. Accident and health benefits are now provided under our group insurance policy, taking the place of the Employees Aid Societies which served for so many years.

During 1948, 148 families received death benefits totaling $361,000, while approximately $143,000 was received by those forced to be away from their work because of sickness or accidents.

Employees and the Company both contribute to the cost of sickness, accident and death benefit plans. Most of the cost of administration is borne by the Company.

Under National Labor Relations Board supervision, 9 plant elections were held during the year to decide whether plant employees desired union representation. In 3 plant elections, the employees voted for union representation. In the other 6 plant elections, the employees voted against union representation —that is, they voted for continuing to deal directly with the Company.

# THE SHOE INDUSTRY

The shoe industry appeared in the news columns quite often in 1948. Unfortunately, many of these stories referred to the "high prices" of shoes. On page 11 of this Report, the chart of increases in wholesale commodity prices shows conclusively that shoes are not "high priced"; nevertheless, the idea was spread pretty generally. This idea may have been one of the causes of slowdown in retail sales, which first showed itself in the early months of the year and was present intermittently throughout the year.

The slower retail activity, together with the consciousness of a fairly large stock of higher priced shoes, had the natural effect of making retailers cautious in the purchase of shoes from manufacturers. Large merchandising organizations adopted policies of extreme caution, to the point where they were not buying as many shoes as they were selling.

These conditions brought about a state of affairs which caused some business services to label the shoe industry as a "depressed" industry. Unquestionably, the shoe industry was in a strong buyers' market, and sharp competition prevailed. Shutdowns of shoe factories were commonplace throughout the country, and in some places they were drawn out for comparatively long periods.

Among the problems of manufacturers was the shifting in demand from line to line. Women's welt shoes of the more staple, durable types—which had been eagerly taken throughout the war and right up to early 1948—suddenly seemed "dead." Certain types of men's dress shoes acted similarly. This is probably the result of a wholly human reaction. During the years of scarcity, people learned to reach out for anything they could get their hands on in the way of usable articles. Staple women's welt shoes and most men's dress shoes . . . like men's shirts, men's suits and other staple articles of wear . . . fell in this class. When these things started to reappear, the "grab" habit hung on, with the result that as they became plentiful, most people found themselves with excess supplies in their closets. These conditions will right themselves in time.

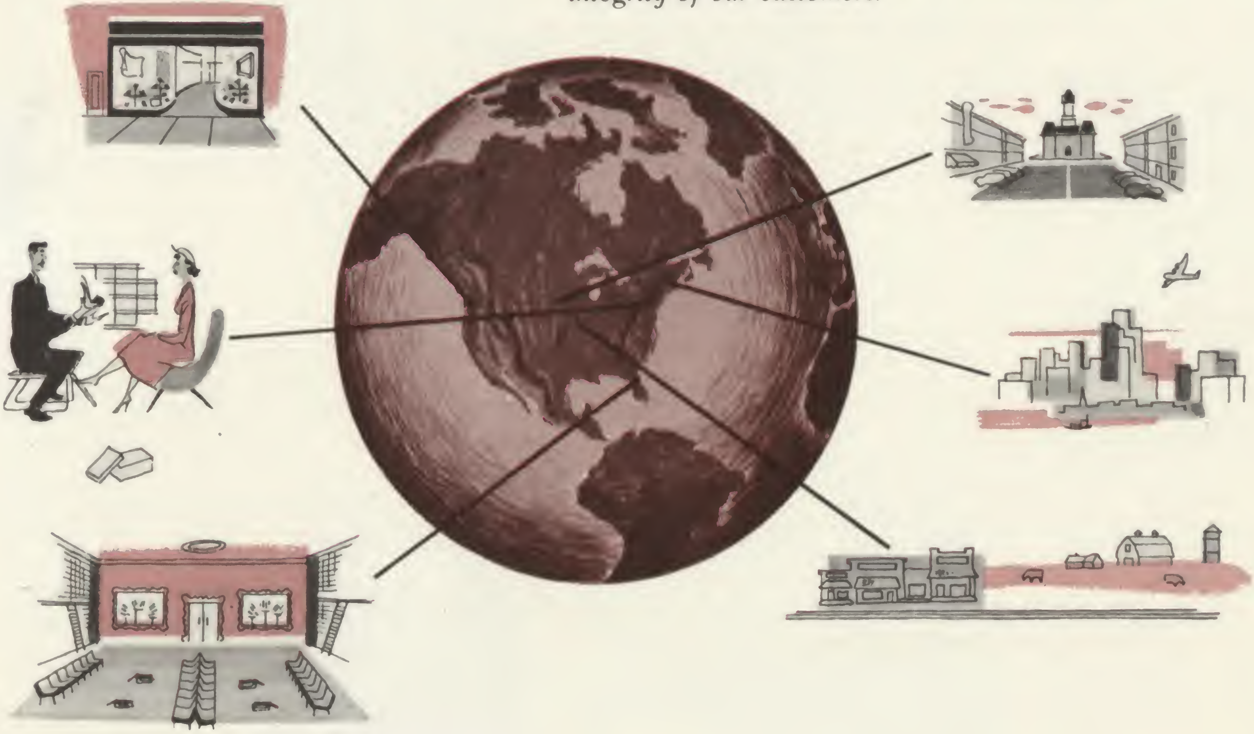
Production for the industry in 1948 probably was not far different from the 468 million pairs in 1947. In 1946, 525 million pairs were made.

The production per capita in 1948 was about 3.25 pairs. This compares with 3.28 pairs in 1947 and 3.71 in 1946.

In the five years 1936-1940, the annual production of shoes averaged 409 million pairs. In the same five years, the per capita production averaged 3.15. Indications are that production during 1948 was in line with quantities of shoes which have been used in the past. The records also show that a fairly steady demand for shoes can be depended upon year after year.

## Our Customers

*28,000 retailers handle International shoes . . . they are located in all the 48 states, in U. S. territories and in foreign countries . . . their places of business are in great cities, in smaller cities and suburban towns, in villages and at the crossroads. For more than three decades, our Company's credit losses on some 3 billion dollars in sales have averaged less than one-fourth of 1 percent—a record which attests the character and integrity of our customers.*



# Conclusion

Each year presents new problems to progressive business and the year just ended carried its quota in full measure. The year 1948 was a difficult one because of numerous uncertainties in the material markets and sources of supplies.

It is gratifying and encouraging to realize that our organization was prepared to face and did solve its complex problems with assurance and success. The history of 1948 for International Shoe Company is written and comes to you in this carefully prepared statement—it was another good year.

We approach 1949 with renewed courage and abiding faith in the soundness of the policies which have guided your Company through the years.

FOR THE BOARD OF DIRECTORS

Frank C. Rand

Chairman of The Board

Byron A. Gray

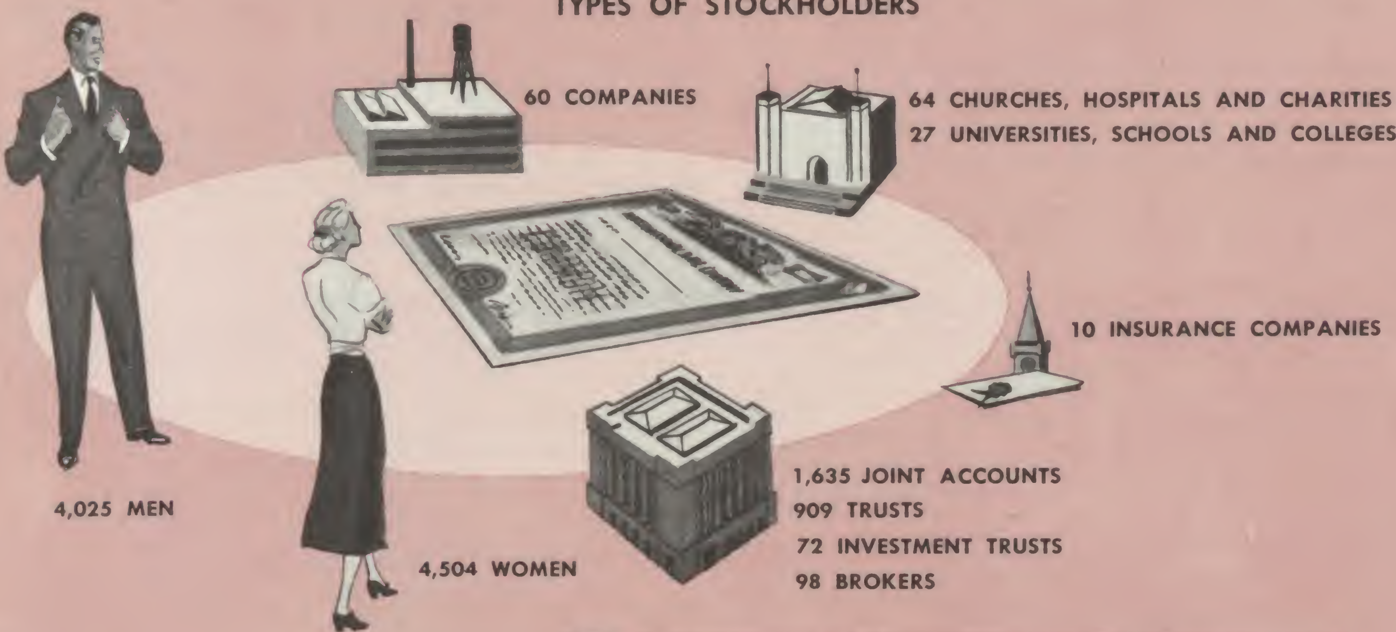
President

January 14, 1949

# *Our Stockholders*

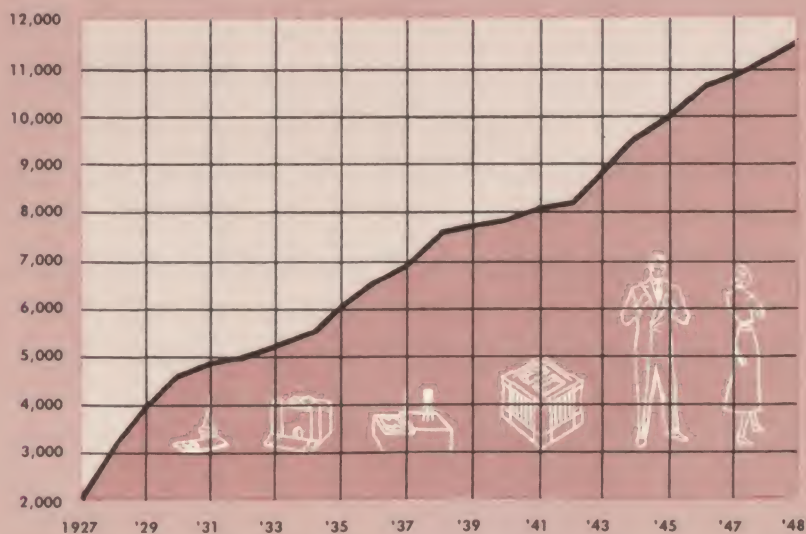
The owners of International Shoe Company total more than 11,000 individuals and institutions, with no one person or organization owning as much as 5% of the 3,400,000 shares of Company stock issued. Our stockholders live throughout the United States and in a number of foreign countries. They include . . .

### TYPES OF STOCKHOLDERS




### INCREASE OF STOCKHOLDERS 1927-1948

*The number of International Shoe Company owners has increased steadily through the years . . .*



# Financial Statements

# Accountants' Report

**PEAT, MARWICK, MITCHELL & CO.**

To the Board of Directors,
International Shoe Company,
St. Louis, Missouri

We have examined the Balance Sheets of the International Shoe Company (a Delaware Corporation) and its wholly owned subsidiary the Twelfth-Delmar Realty Company (a Missouri Corporation) as of November 30, 1948 and the related statements of Profit and Loss and Surplus for the year and for the five months then ended, respectively. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the year the International Shoe Company adopted a depreciation rate on a recent property addition which will result in writing off over a shorter period than usual abnormal construction costs. The amount of such additional depreciation for the year 1948 is not material.

In our opinion, the accompanying Balance Sheets and Statements of Profit and Loss and Surplus present fairly the financial position of the International Shoe Company and of the Twelfth-Delmar Realty Company at November 30, 1948 and the results of their operations for the year and for the five months then ended, respectively, in conformity with generally accepted accounting principles applied on a basis which is consistent in all material respects with that of the preceding year.

St. Louis, Missouri
December 31, 1948

Peat, Marwick, Mitchell & Co.

# BALANCE SHEET

## ASSETS

| | 1948 | | 1947 | |
|---|---|---|---|---|
| CURRENT ASSETS: | | | | |
| Cash in banks and on hand | | $ 4,505,776 | | $ 10,434,001 |
| United States Government securities at cost, plus accrued interest | | 151,666 | | 2,393,487 |
| Accounts receivable customers, including sundry of $155,593 in 1948 and $124,168 in 1947, less reserve for cash discounts and doubtful accounts | | 33,763,344 | | 27,105,524 |
| Inventories: | | | | |
| At cost (determined on the "last-in, first-out" method): | | | | |
| Finished shoes | $ 17,536,811 | | $ 11,036,297 | |
| Shoes in process | 3,441,707 | | 3,399,246 | |
| Hides and leather | 13,241,614 | | 13,045,417 | |
| At lower of cost or market: | | | | |
| Miscellaneous materials and supplies on hand and in process | 17,376,046 | 51,596,178 | 15,856,352 | 43,337,312 |
| Prepaid expenses—Insurance premiums, taxes, and sundry | | 695,759 | | 525,594 |
| | | 90,712,723 | | 83,795,918 |
| OTHER ASSETS: | | | | |
| Amounts of Federal Income Taxes recoverable under the replacement provisions (Section 22 (d) (6) of the Internal Revenue Code) relating to inventories maintained on "last-in, first-out" method | 3,088,123 | | 2,674,617 | |
| Employees Notes Receivable under installment stock purchase plan—secured by 65,200 shares in 1948 and 64,600 shares in 1947 of Company's common stock | 2,400,501 | | 2,482,764 | |
| Investment in Twelfth-Delmar Realty Company (wholly owned subsidiary) | 250,000 | | — | |
| Advances to ($129,600 in 1948 and $119,600 in 1947) and Investment in other Subsidiary and Associated Companies (less reserve) | 315,405 | | 305,405 | |
| Investment in stocks of other companies, etc. (less reserve) | 661,590 | 6,715,619 | 570,405 | 6,033,191 |
| PHYSICAL PROPERTIES — Tanneries, shoe factories, supply departments, and sales branches (based on appraisal as of April 30, 1925, plus subsequent additions at cost): | | | | |
| Land and water rights | 1,980,019 | | 1,874,317 | |
| Buildings and structures | 24,924,160 | | 23,984,530 | |
| Machinery and equipment | 23,747,431 | | 22,584,546 | |
| Lasts, patterns, and dies | 1 | | 1 | |
| | 50,651,611 | | 48,443,394 | |
| Less—Reserve for depreciation | 30,255,702 | 20,395,909 | 29,542,235 | 18,901,159 |
| | | $117,824,251 | | $108,730,268 |

## LIABILITIES

| | 1948 | | 1947 | |
|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | |
| Notes payable—banks | | $ 5,000,000 | | $ — |
| Accounts payable and accrued expenses | | 10,427,607 | | 9,589,314 |
| Due to subsidiary companies | | 90,047 | | 86,364 |
| Employees income tax withheld from payroll | | 406,377 | | 742,831 |
| Stockholders and employees balances, including partial payments for government bonds | | 543,620 | | 390,356 |
| Reserve for Federal taxes on income | | 8,850,000 | | 8,950,000 |
| | | 25,317,651 | | 19,758,865 |
| RESERVES: | | | | |
| For excess cost of replacing inventories maintained on the "last-in, first-out" basis, less income taxes applicable thereto | $ 65,000 | | $ 150,000 | |
| For insurance | 608,669 | 673,669 | 608,669 | 758,669 |
| CAPITAL STOCK AND SURPLUS: | | | | |
| Common stock without nominal or par value. | | | | |
| Authorized 4,000,000 shares; issued and outstanding—3,400,000 shares | 51,000,000 | | 51,000,000 | |
| Capital surplus | 1,354,289 | | 1,354,289 | |
| Earned surplus | 39,478,642 | 91,832,931 | 35,858,445 | 88,212,734 |
| | | $117,824,251 | | $108,730,268 |

## STATEMENT OF PROFIT AND LOSS

For the years ended November 30, 1948 and 1947

| | 1948 | 1947 |
|---|---|---|
| Net sales of shoes and other manufactured merchandise; and inter-plant transfers (at approximate market) from the Company's own supply plants (tanneries, cotton mill, rubber plant, cut sole plants, etc.) to shoe factories | $309,674,450 | $304,357,684 |
| Less—Inter-plant transfers | 89,869,570 | 91,439,492 |
| Net sales to customers | 219,804,880 | 212,918,192 |
| Other income | 121,918 | 187,289 |
| Reduction in reserve provided for excess cost of replacing inventories maintained on the "last-in, first-out" basis | 85,000 | 60,000 |
| | 220,011,798 | 213,165,481 |
| Cost of shoes and merchandise sold, after charging operating expenses, maintenance of physical properties, selling, administrative, and warehouse expenses, and credit losses, less discount on purchases | 196,199,824 | 189,308,357 |
| Depreciation of physical properties | 1,716,982 | 1,263,344 |
| Other charges | 86,391 | — |
| Provision for Federal taxes on income less estimated refunds of $413,506 in 1948 and $206,416 in 1947 resulting from excess cost of replacing during year inventories maintained on "last-in, first-out" basis | 8,188,404 | 8,591,763 |
| | 206,191,601 | 199,163,464 |
| NET PROFIT FOR YEAR | $ 13,820,197 | $ 14,002,017 |

## STATEMENT OF CAPITAL STOCK AND SURPLUS

For the years ended November 30, 1948 and 1947

| | 1948 | 1947 |
|---|---|---|
| Common Stock and Surplus at beginning of year: | | |
| Common Stock (outstanding 3,400,000 shares 1948 and 3,350,000 shares 1947) | $ 51,000,000 | $ 50,250,000 |
| Capital surplus | 1,354,289 | — |
| Earned surplus | 35,858,445 | 29,479,698 |
| | 88,212,734 | 79,729,698 |
| Sale of 50,000 shares of common stock (stated value $750,000) | — | 1,975,000 |
| Gain from sale of Company's own common stock | — | 129,289 |
| Net profit for the year | 13,820,197 | 14,002,017 |
| | 102,032,931 | 95,836,004 |
| Dividends on common stock—$3.00 per share in 1948 and $2.25 per share in 1947 | 10,200,000 | 7,623,270 |
| Common stock and surplus at end of year | 91,832,931 | 88,212,734 |
| Divided as follows: | | |
| Common stock (outstanding 3,400,000 shares) | 51,000,000 | 51,000,000 |
| Capital surplus | 1,354,289 | 1,354,289 |
| Earned surplus | 39,478,642 | 35,858,445 |
| | $ 91,832,931 | $ 88,212,734 |

# FINANCIAL REVIEW

| Fiscal Year | Net Sales and Inter-Plant Transfers (a) | Net Sales excluding Inter-Plant Transfers | Net Profit before Federal Taxes on Income | Federal Taxes on Income (b) | Net Profit | Dividends Declared on Preferred Stock | Net Profit Available for Common Stock | Net Profit per Share on Common Stock (c) | Dividend Rate per Share on Common Stock | Shares of Outstanding Preferred Stock (d) | Shares of Outstanding Common Stock (d) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1912 | | 20,990,643 | 1,955,130 | 19,308 | 1,935,822 | 577,500 | 1,358,322 | 10.65 | | 82,500 | 127,500(k) |
| 1913 | | 26,005,299 | 1,834,468 | 18,762 | 1,815,706 | 653,875 | 1,161,831 | 9.11 | 7.00 | 94,250 | 127,500 |
| 1914 | | 24,114,860 | 1,523,619 | 14,721 | 1,508,898 | 659,750 | 849,148 | 6.66 | 7.00 | 94,250 | 127,500 |
| 1915 | | 24,439,107 | 1,822,938 | 18,049 | 1,804,889 | 659,750 | 1,145,139 | 8.98 | 6.00 | 94,250 | 127,500 |
| 1916 | | 33,574,914 | 4,189,409(e) | 79,152 | 4,110,257(e) | 659,750 | 3,450,507 | 27.06 | 7.00 | 94,250 | 127,500 |
| 1917 | | 45,037,293 | 5,353,980 | 1,270,000 | 4,083,980 | 697,125 | 3,386,855 | 26.56 | 7.00 | 100,000 | 127,500 |
| 1918 | | 50,810,947 | 4,397,880 | 1,585,000 | 2,812,880 | 700,000 | 2,112,880 | 16.57 | 8.00 | 100,000 | 127,500 |
| 1919 | | 61,247,782 | 6,917,224 | 2,250,000 | 4,667,224 | 700,000 | 3,967,224 | 31.11 | 7.00 | 100,000 | 127,500 |
| 1920 | | 75,617,895 | 8,914,491 | 2,644,257 | 6,270,234 | 846,250 | 5,423,984 | 42.54 | 8.00 | 122,500 | 127,500 |
| 1921 | | 73,839,153 | 5,025,441 | 859,247 | 4,166,194 | 1,128,190 | 3,038,004 | 3.33 | 1.68 | 177,643 | 911,279(l) |
| 1922 | | 97,366,403 | 11,739,821 | 1,502,864 | 10,236,956 | 1,414,945 | 8,822,011 | 9.60 | 2.00 | 179,142 | 918,006 |
| 1923 | | 109,922,738 | 11,703,988 | 1,405,347 | 10,298,641 | 1,421,753 | 8,876,888 | 9.64 | 2.75 | 178,000 | 920,000 |
| 1924 | 154,758,491 | 110,240,651 | 15,123,263 | 2,062,468 | 13,060,795 | 1,424,000 | 11,636,795 | 12.64 | 4.00 | 178,000 | 920,000 |
| 1925 | 166,834,834 | 114,265,987 | 14,594,410 | 1,872,965 | 12,721,444 | 1,424,000 | 11,297,444 | 12.27 | 5.00 | 100,000 | 920,000 |
| 1926 | 172,913,346 | 116,980,835 | 15,279,118 | 2,061,542 | 13,217,576 | 600,000 | 12,617,576 | 13.71 | 6.00 | 100,000 | 920,000 |
| 1927 | 189,028,429 | 124,306,333 | 20,478,632 | 2,780,174 | 17,698,457 | 600,000 | 17,098,457 | 4.54 | 1.75 | 100,000 | 3,760,000(m) |
| 1928 | 201,622,037 | 122,694,532 | 17,973,205 | 2,211,429 | 15,761,775 | 600,000 | 15,161,775 | 4.03 | 2.00 | 100,000 | 3,760,000 |
| 1929 | 204,962,637 | 132,110,129 | 19,207,966 | 2,176,532 | 17,031,434 | 600,000 | 16,431,434 | 4.37 | 2.50 | 100,000 | 3,760,000 |
| 1930 | 159,481,013 | 102,393,618 | 14,597,599 | 1,723,495 | 12,874,104 | 600,000 | 12,274,104 | 3.26 | 3.00 | 100,000 | 3,760,000 |
| 1931 | 132,479,371 | 86,802,293 | 11,088,135 | 1,343,319 | 9,744,815 | 600,000 | 9,144,815 | 2.55 | 3.00 | 100,000 | 3,510,000 |
| 1932 | 96,732,775 | 65,488,662 | 7,729,920 | 1,082,392 | 6,647,527 | 600,000 | 6,047,527 | 1.80 | 2.75 | 100,000 | 3,350,000 |
| 1933 | 105,302,056 | 70,343,128 | 10,764,075 | 1,673,508 | 9,090,566 | 425,810 | 8,664,756 | 2.58 | 2.00 | | 3,350,000 |
| 1934 | 115,382,430 | 77,168,682 | 10,866,266 | 1,899,241 | 8,967,024 | | 8,967,024 | 2.67 | 2.00 | | 3,350,000 |
| 1935 | 118,157,495 | 83,073,459 | 10,031,599 | 1,489,637 | 8,541,962 | | 8,541,962 | 2.55 | 2.25 | | 3,350,000 |
| 1936 | 127,200,702 | 84,856,709 | 9,771,444 | 1,354,517 | 8,416,926 | | 8,416,926 | 2.51 | 2.25 | | 3,350,000 |
| 1937 | 137,393,752 | 88,278,810 | 7,394,495 | 1,127,503 | 6,266,992 | | 6,266,992 | 1.87 | 2.00 | | 3,350,000 |
| 1938 | 117,317,127 | 80,828,631 | 4,890,762 | 622,475 | 4,268,286 | | 4,268,286 | 1.27 | 1.75 | | 3,350,000 |
| 1939 | 132,753,494 | 89,325,446 | 8,061,896(f) | 1,473,687 | 6,588,209(f) | | 6,588,209 | 1.97 | 1.75 | | 3,350,000 |
| 1940 | 133,219,725 | 89,257,329 | 8,122,117 | 1,648,505 | 6,473,611 | | 6,473,611 | 1.93 | 1.75 | | 3,350,000 |
| 1941 | 175,541,874 | 116,530,243 | 9,691,079 | 2,484,042 | 7,207,037 | | 7,207,037 | 2.15 | 2.00 | | 3,350,000 |
| 1942 | 219,309,802 | 144,256,388 | 16,634,160(g) | 9,639,207 | 6,994,952(g) | | 6,994,952 | 2.08 | 1.80 | | 3,350,000 |
| 1943 | 211,356,750 | 142,841,095 | 18,690,734(h) | 11,953,086 | 6,737,648(h) | | 6,737,648 | 2.01 | 1.80 | | 3,350,000 |
| 1944 | 227,134,200 | 156,642,087 | 13,219,835 | 7,250,710 | 5,969,125 | | 5,969,125 | 1.78 | 1.80 | | 3,350,000 |
| 1945 | 223,088,844 | 148,783,704 | 10,731,210 | 5,162,490 | 5,568,720 | | 5,568,720 | 1.66 | 1.80 | | 3,350,000 |
| 1946 | 202,458,992 | 135,031,487 | 3,296,367(i) | (2,152,414)(j) | 5,448,781(i) | | 5,448,781 | 1.62 | 1.80 | | 3,350,000 |
| 1947 | 304,357,684 | 212,918,192 | 22,593,779 | 8,591,762 | 14,002,017 | | 14,002,017 | 4.11 | 2.25 | | 3,400,000 |
| 1948 | 309,674,450 | 219,804,880 | 22,008,601 | 8,188,404 | 13,820,197 | | 13,820,197 | 4.06 | 3.00 | | 3,400,000 |

NOTE: The above tabulation with respect to certain years presents the figures of the Company and its subsidiaries consolidated. The major subsidiaries consolidated during the period have since been liquidated and the business previously carried on by these subsidiaries was continued by the Company. Several minor subsidiaries previously consolidated have not been consolidated subsequent to 1943; the unconsolidated subsidiaries are not significant and their exclusion does not materially affect the comparisons over the years. (a) Includes production of shoe materials and supplies by own supply plants (tanneries, cotton mill, rubber plant, etc.) in addition to net sales of shoes and other manufactured merchandise. Figures not available prior to 1924. (b) Federal taxes on income include excess profits taxes in years where applicable. (c) Based on shares of common stock outstanding at close of fiscal year. (d) Number of shares outstanding at close of fiscal year; common stock includes, where applicable, Company's own common stock held for re-sale carried as an asset. (e) Before provision of $1,000,000 for trade conditions affecting raw materials market; reserve transferred to surplus during fiscal year 1921. (f) After providing $550,000 for contingencies. (g) After providing $450,000 for contingencies. (h) After providing $222,447 for contingencies. (Net amount of payment to U. S. Government a/c renegotiation.) (i) After including transfer of $1,000,000 reserved for contingencies previously provided by charges to profit and to loss. (j) Net amount of income tax refundable due to carry back provisions of the Internal Revenue Code. (k) Par value of $100 per share. (l) After giving effect to exchange of each share of $100 par value Common Stock (Mo. Corporation) for 6 shares no par value Common Stock (Del. Corp.) (m) After stock split-up on the basis of 4 shares for one.

## TWELFTH-DELMAR REALTY COMPANY

### BALANCE SHEET

As of November 30, 1948

**Assets**

| | |
|---|---|
| Cash in banks and on hand | $ 110,424 |
| Accounts receivable | 20,481 |
| Land ($880,386), building and equipment, at cost, less depreciation $30,084—pledged as collateral on mortgage notes payable | 3,321,783 |
| | $3,452,688 |

**Liabilities**

| | |
|---|---|
| Mortgage notes payable—banks, maturing $8,333 monthly to October 1, 1953, and balance due November 1, 1953 | $3,091,667 |
| Accounts payable and accrued expenses, including amounts withheld for taxing authorities | 91,237 |
| Capital stock—authorized 1,000 shares without par value; issued and outstanding—250 shares | 250,000 |
| Surplus | 19,784 |
| | $3,452,688 |

### STATEMENT OF PROFIT AND LOSS AND SURPLUS

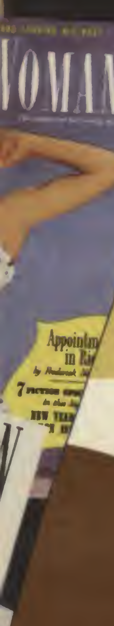
For the Five Months ended November 30, 1948

| | |
|---|---|
| Income from rentals and services (International Shoe Company $27,332) | $ 181,244 |
| Operating and maintenance costs, including depreciation $30,084 | 111,127 |
| General and administrative expenses | 3,164 |
| Interest on notes payable | 40,817 |
| Federal taxes on income—estimated | 6,352 |
| | 161,460 |
| Net Profit for Period and Surplus as of November 30, 1948 | $ 19,784 |

# *Your Company's Products*

A special folder has been inserted with this report, presenting in full color the principal trademarks which identify International shoes. As indicated in the folder, these nationally known brand names are given wide recognition through an extensive advertising program in the nation's leading magazines.

# the Result of INTERNATIONAL'S ADVERTISING



TRADE-MARKS
OF FOOTWEAR
MANUFACTURED
BY
INTERNATIONAL
SHOE
COMPANY

## FOR BOYS AND GIRLS

WEATHER BIRD SHOES

RED GOOSE SHOES

GOLLY WOGS

City Club Jrs.

WINTHROP JRS. for boys

POLL PARROT Polly DEBS

PRE-TESTED Poll-Parrot SHOES FOR BOYS AND GIRLS

RAND Juniors

THE John C. Roberts Junior

## FOR MEN AND YOUNG MEN

WINTHROP SHOES

The RAND Shoe

HY-TEST INTERNATIONAL SHOE CO. SAFETY SHOES

City Club DISTINCTIVE SHOES FOR MEN

Randcraft SHOES

Claston SHOES for MEN

THE Robertson Shoe FOR MEN AND YOUNG MEN

THE John C. Roberts Shoe

CONFORMAL Personalized SHOES FOR MEN AND WOMEN

## FOR THE LADIES

Vitality shoes

Velvet Step

Queen Quality

Smart-Maid

CONFORMAL Personalized SHOES FOR MEN AND WOMEN

Grace Walker

Dorothy Dodd

THE Trim Tred SHOE

## FOR ALL THE FAMILY

STAR BRAND "STAR BRAND SHOES ARE BETTER"

Sundial Shoes FOR ALL THE FAMILY

YANIGANS

PETERS Peters Shoes

# In these leading national magazines

# you'll find advertising for

# INTERNATIONAL'S

# leading brands of shoes

# a Quick Look at INTERNATIONAL BRANDS

*and the*
**MAGAZINE ADVERTISING**
*behind them*

## SALES BRANCHES

### ST. LOUIS

| | |
|---|---|
| Roberts, Johnson & Rand | Jefferson Shoe Co. |
| Peters | Vitality Shoe Co. |
| Friedman-Shelby | Queen Quality Shoe Co. |
| Continental Shoemakers | Dorothy Dodd Shoe Co. |
| Pennant Shoe Co. | Winthrop Shoe Co. |

Conformal Footwear Co.

### MANCHESTER, N. H.

| | |
|---|---|
| Sundial Shoe Co. | Great Northern Shoe Co. |

Metro-Craft Shoe Co.

## LOCATION OF SHOE FACTORIES AND SUPPLY PLANTS

### MISSOURI

Belle
Bland
Cape Girardeau
De Soto
Dexter
Eldon
Eldorado Springs
Fulton
Hamilton
Hannibal
Hermann
Higginsville
Houston
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
Poplar Bluff
Richland
St. Charles
St. Clair
Ste. Genevieve
St. Louis
Salem
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington
West Plains
Windsor

### ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

### ARKANSAS

Bald Knob
Batesville
Conway
Malvern
Russellville
Searcy

### NEW HAMPSHIRE

Claremont
Manchester
Nashua
Newport

### KENTUCKY

Hopkinsville
Paducah

## LOCATION OF TANNERIES

South Wood River, Illinois
St. Louis, Missouri
Manchester, New Hampshire
Merrimack, New Hampshire
Morganton, North Carolina
Philadelphia, Pennsylvania
Bolivar, Tennessee
Marlinton, West Virginia

International Shoe Company

1509 WASHINGTON AVENUE • ST. LOUIS 3, MO.